

Congress of the United States
Washington, DC 20515

July 20, 2023

The Honorable Janet L. Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Steven E. Seitz
Director
Federal Insurance Office
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen and Director Seitz,

We write today regarding recent announcements from State Farm General Insurance Company (State Farm) and Allstate Corporation (Allstate) that these insurers will no longer offer new home insurance policies in the state of California. These announcements by State Farm and Allstate—the state’s largest and fourth largest property insurers, respectively—are alarming. These actions will impact countless families and small businesses throughout California and threaten the livelihood of communities and economies in already vulnerable areas across the state.

While the threat of earthquakes and wildfires has been a persistent challenge for California, California’s situation is not unique. In Florida, Farmers Insurance Group has stopped accepting new homeowners’ policies. AIG has not only limited coverage in California and Florida, but also 200 zip codes nationally that are exposed to wildfire, flood, and other climate related risks. Across the country, countless consumers have fewer insurance options that cost more and cover less.

Over the last few decades, the occurrence of natural disasters has dramatically increased. The climate crisis is bringing about unprecedented heatwaves, droughts, and hurricanes. These disasters have grown exponentially more frequent, deadly, devastating, and expensive.

Pursuant to President Biden’s May 2021 executive order on climate change, the Biden Administration and U.S. Department of Treasury have been committed to developing a whole-of-government approach to mitigating climate-related financial risk. Specifically, the Federal Insurance Office (FIO) has been tasked with better understanding and analyzing climate-related financial risks in the insurance market.

In response to this task, Secretary Yellen warned, “If these trends continue, the combination of a climate crisis and an insurance industry retreat could create an affordability crisis that threatens Americans’ homes, life savings, and the economies of already vulnerable regions.”^[1] We have

now reached a point many have feared. Working-class families, first-time homebuyers, and small businesses in climate-vulnerable areas across the country must now grapple with higher rates, restricted coverage, and an increasingly smaller pool of insurance availability. These challenges are exacerbated for low-income communities and communities of color who have long been faced with historic underinvestment, environmental hazards, and air quality issues.

The climate crisis is an existential threat and if left unchecked, will bring about disastrous consequences for our environment, food and water supply, and the American economy. Congress and the Biden Administration must be aggressive when it comes to our climate and investments in sustainability and a new, green economy. We must use every tool available to protect lives and livelihoods from these horrifying natural disasters. While insurers like State Farm and Allstate to limit coverage for homeowners and businesses in California, they continue to simultaneously invest in the very industries that fuel these catastrophic events. An analysis published in April 2022 by the California Department of Insurance found that while insurance payouts in California for natural catastrophe events stood at the highest amount ever from 2017 to 2018 – including insured losses of \$12 billion resulting from the 2018 California Camp Fire – major insurance companies operating in California invested over \$536 billion in the fossil fuel industry in 2019 alone.^[2]

The FIO's proposal to collect data and report on climate-related financial risks is an important step toward protecting consumers. We applaud FIO for taking steps to analyze the effects the climate crisis has produced and we urge the FIO to move forward its proposed data collection and continue to collect this data annually. provide a report to Congress with recommendations, and to continue collecting this data annually. We also support the Ranking Member's request for the FIO to evaluate impacts on renters and small businesses and identify potential reasons why private insurance companies are exiting certain areas, as well as any signs of anti-trust violations related to these exits.

It is vital that the data inform a report with recommendations on how to maintain access to affordable insurance and maintain equitable insurance markets. Through its advisory role, the FIO should also identify and analyze potential risks that climate-related turmoil in insurance markets could pose to financial stability.

Furthermore, we request that the FIO require insurers with more than \$100 million in annual premiums disclose their investments in fossil fuels to the FIO to be subsequently reported to Congress on an annual basis. We also request that FIO investigate these insurers' green assets, such as renewable energy generation, to support a transition towards supporting a sustainable, decarbonized economy.

We look forward to your policy recommendations for Congress to consider and welcome the opportunity to work together to implement solutions for our constituents. Thank you for your attention to this important matter.

Sincerely,



Adam B. Schiff
Member of Congress



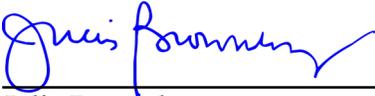
Barbara Lee
Member of Congress



Salud Carbajal
Member of Congress



Tony Cárdenas
Member of Congress



Julia Brownley
Member of Congress



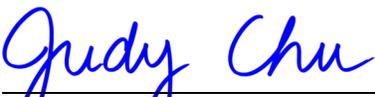
John Garamendi
Member of Congress



Mike Levin
Member of Congress



Zoe Lofgren
Member of Congress
Chair, California Democratic
Congressional Delegation



Judy Chu
Member of Congress



Jared Huffman
Member of Congress



Ro Khanna
Member of Congress
Ranking Member,
Subcommittee on Cyber,
Information Technologies,
and Innovation

[1] *U.S. Department of the Treasury Launches New Effort on Climate-Related Financial Risks in the Insurance Sector*. U.S. Department of the Treasury. (2021, August 31). <https://home.treasury.gov/news/press-releases/jy0337>

[2] *Climate Risk & Resilience Analysis*. S&P Global Market Intelligence. (2022, April). https://interactive.web.insurance.ca.gov/apex_extprd/f?p=115%3A1

[3] *Ranking Member Waters Calls on Treasury's Federal Insurance Office to Produce Report for Congress Following Exodus of Insurance Companies from California*. U.S. House Committee on Financial Services Democrats. (2023, June 7). <https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=410528>